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RUEHEG/AMEMBASSY CAIRO PRIORITY 3547
RUEHDM/AMEMBASSY DAMASCUS PRIORITY 5863
RUEHLO/AMEMBASSY LONDON PRIORITY 2693
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RUEHTU/AMEMBASSY TUNIS PRIORITY 6120
RUCNDT/USMISSION USUN NEW YORK PRIORITY 8156
RUEHJI/AMCONSUL JEDDAH PRIORITY 0948
RUEHJM/AMCONSUL JERUSALEM PRIORITY 1435
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UNCLAS TEL AVIV 000415

STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA
HQ USAF FOR XOX
DA WASHDC FOR SASA
JOINT STAFF WASHDC FOR PA
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD
LONDON ALSO FOR HKANONA AND POL
PARIS ALSO FOR POL
ROME FOR MFO

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E.O. 12958: N/A
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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

[11. Mideast](#)

[12. Iran](#)

Key stories in the media:

Israel Radio reported that Shimon Peres intends to wrap up his
consultations today with the 12 political parties that earned seats
in the incoming Knesset toward the formation of a new government.

Makor Rishon Hatzofe reported that Kadima hinted to Peres that it favors a rotational government and that Likud is wooing the Labor Party. Maariv reported that, were Yisrael Beiteinu Chairman Avigdor Lieberman not to recommend anyone for prime minister, Peres might convene Tzipi Livni and Benjamin Netanyahu to pressure them to set up a national unity government. However, Israel Radio reported that this morning Lieberman recommended Netanyahu as PM. Yom Leyom, the Shas party's mouthpiece, expressed its belief that most Knesset members favor Netanyahu. Leading media quoted Livni as saying that she will either become prime minister or lead the opposition. This morning electronic media considered Netanyahu's appointment as a done deal.

All media reported that yesterday the diplomatic-security cabinet put Hamas on notice that the crossings into Gaza will remain closed, except for humanitarian needs, until Gilad Shalit is returned, and that Israel has no intention of entering a final cease-fire agreement. HaQaretz reported that Israel has prepared a new list of Palestinian prisoners it is willing to release in exchange for Shalit and that it is ready to relay the list to Hamas as quickly as possible in order to further a possible swap arrangement. Yediot reported that Israel proposes that Hamas choose half of the names from a list made up by Israel of prisoners with blood on their hands. HaQaretz also reported that yesterday Hamas accused Israel of sabotaging the Egyptian-mediated truce by making last-minute demands. Israel Radio reported that Palestinian Representative to the UN Riyad Mansour rejected a link between a truce and a deal to release Shalit. The Jerusalem Post reported that a Fatah official told the daily yesterday that the PA has warned jailed Fatah operative Marwan Barghouti not to criticize President Mahmoud Abbas or the veteran leadership of Fatah when he is released from prison.

HaQaretz and other media reported that yesterday police asked Attorney General Menachem Mazuz to approve the interrogation of Lieberman under caution. Lieberman is suspected of laundering millions of shekels through front companies set up for him by his lawyer, Yoav Many. He is also accused of fraud and breach of trust.

HaQaretz reported that despite approval by PM Olmert and DM Ehud Barak, Shin Bet is putting off the establishment of an Israeli-Palestinian hospital in the northern Israel area of Gilboa. Turkey funds the 3.5 billion-shekel (around \$845 million) project.

The media reported that the major financial institution Bank Leumi lost 700-800 million shekels (around \$175-200 million) in the fourth quarter of 2008. However the bank grossed 500 million shekels in 2008.

Makor Rishon-Hatzofe reported that President Obama is acting against the QDurban 20 conference.

Leading media reported that yesterday PM Olmert reprimanded Amos Gilad, who heads the Defense Ministry's political-security bureau, over comments he made to Maariv regarding the cease-fire in the works and Gilad Shalit. HaQaretz reported that Olmert is considering suing Amos Gilad.

HaQaretz quoted Daniel Kurtzer, the former U.S. Ambassador to Israel, as saying at Georgetown University yesterday that a government led by Benjamin Netanyahu that also included Yisrael Beiteinu chairman Avigdor Lieberman would be a "bad combination for American interests." "It would be much more difficult for the right wing, even with determined American leadership, to advance the peace process. Not impossible, but very difficult," Kurtzer was quoted as saying. The official U.S. position is that it looks forward to "working with any government," but HaQaretz reported that in back-channel messages the Obama administration has made it clear it would like to see a Likud-Kadima unity government in Jerusalem over a narrow right-wing government, which would in all likelihood result in a freeze in peace talks with the Palestinians.

Israel Radio quoted Robert Serry, the UN's special envoy for the Middle East peace process, as saying at the UN Security Council that violence in the Gaza Strip would erupt again unless there was a stable cease-fire. The Jerusalem Post quoted Serry as saying that the crisis in Gaza had led to considerably increased tensions inside the borders of Lebanon. The Jerusalem Post also reported

that Serry called on Israel to abide by promises made to the Quartet.

The Jerusalem Post reported that Iran plans to hold a conference on March 4-5 in support of Gaza and that it has sent out invitations to several regional leaders.

Major media quoted President Peres as saying at the Conference of Presidents of Major American Jewish Organizations that the way Israel conducted disengagement from Gaza was faulty.

HaQaretz quoted Col. Liron Liebman, who heads the military prosecution's international law department, as saying yesterday that war crimes charges brought abroad against Israeli soldiers and officers involved in Operation Cast Lead are nothing but "legal terrorism." Liebman was speaking at the Conference of Presidents of Major American Jewish Organizations in Jerusalem about the role of the law in fighting terror. Liebman told HaQaretz that there is little chance that war crimes charges abroad will end in conviction, or, for that matter, in acquittal, since procedural issues will end up derailing the allegations before they reach that stage. But he was quoted as saying that this doesn't much matter to those bringing the charges. The Jerusalem Post reported that Jordanian MPs indefinitely shelved plans to charge Israelis at the International Criminal Court in The Hague. According to a Jordanian official, the delegation's trip to the Netherlands was suspended at the request of the Royal Jordanian Court.

Maariv reported that Russia has proclaimed Hamas leader Khaled Mashal persona non grata for official travel because the organization refuses to recognize Israel, as demanded by the Kremlin.

HaQaretz reported that American and Israeli victims of terrorism have filed a precedent-setting suit at Washington's District Court against three U.S. oil companies and their directors, charging that they had indirectly assisted the funding of terrorist organizations.

This is the first time that Israeli victims of terrorism have filed a suit of this kind against American firms. To date, most suits by terror victims were filed against Arab or Iranian individuals, terrorist groups, Iran, and various Arab states. The suit argues that the companies (NuCoastal Corporation, El Paso Energy Corporation, and Bayoil (USA) Inc.) and their directors traded with Saddam Hussein's Iraq during the period 2000-2003 under the framework of the United Nations' Oil for Food program.

The Jerusalem Post reported that a declaration pledging to challenge anti-Semitism was signed on behalf of all participating nations yesterday, the last day of the London Conference on Combating Anti-Semitism.

Yediot reported that Turkey's President and PM have sent an envoy to Israel in order to mend relations between the two countries.

HaQaretz cited tough new Interior Ministry regulations that thousands of non-Jewish common-law spouses of Israelis will have to live three years in Israel before being eligible for temporary residency and health and social insurance.

HaQaretz and The Jerusalem Post reported that yesterday U.S. Jewish leaders called yesterday for the Women's Tennis Association to boycott the Dubai Championships and to cancel the event in 2010 after Shahar Peer, Israel's top woman player, was barred from competing at this year's tournament in the United Arab Emirates. Dubai will host the men's tournament next Monday. The political row is expected to rumble on, because Israeli doubles specialist Andy Ram is also slated to take part. HaQaretz quoted U.S. Representative Anthony Weiner of New York as saying yesterday that he had received assurances from Yousef Al Otaiba, the UAE Ambassador to Washington, that Ram would be granted a visa, and as a result he would not ask the Association of Tennis Professionals (ATP) to cancel the event. HaQaretz quoted Weiner's spokesman as saying that Weiner had scheduled a news conference yesterday to press the ATP to withdraw its backing for the tournament.

Yediot reported that the International Monetary Fund is praising the Israeli treasury and the Bank of Israel for maintaining financial stability.

Yediot reported that the American fashion retail chains Gap and Banana Republic will open franchises in Israel.

Yediot wrote that two Israeli capital venture firms have lost money to Texan fraudster Robert Stanford.

11. Mideast:

Summary:

Military correspondent Amos Harel and Palestinian affairs correspondent Avi Issacharoff wrote on page one of the independent, left-leaning HaQaretz: QSenior sources in the defense establishment expressed grave concerns last night that Olmert has backed off from his originally declared willingness to expedite negotiations for a deal on Shalit during his tenure.

Settler leader Israel Harel wrote in HaQaretz: QOur consciousness has been seared while Hamas' consciousness was not affected by the campaign; in fact, it may have grown stronger.

Block Quotes:

II. "IDF Fears for Future of Shalit Deal"

Military correspondent Amos Harel and Palestinian affairs correspondent Avi Issacharoff wrote on page one of the independent, left-leaning HaQaretz (2/19): QYesterday the political-security cabinet unanimously approved Prime Minister Ehud Olmert's proposal that Israel would be willing to discuss extensively broadening activity in the border crossings of the Gaza Strip, Qwhen the abducted soldier Gilad Shalit is releasedQ.... Senior sources in the defense establishment expressed grave concerns last night that Olmert has backed off from his originally declared willingness (as late as last week) to expedite negotiations for a deal on Shalit during his tenure. They say that the chances of completing the deal in the near future appear to be slim. The same sources also said that there is a chance that the opportunity for a deal will pass and Shalit will remain in captivity for years. Is Olmert worried that he may be seen as someone who surrendered to Hamas? Yesterday he spoke of the need to Qmaintain dignity,Q and he was referring to IsraelQs dignity before Hamas.

II. "Hamas Seared Our Consciousness"

Settler leader Israel Harel wrote in HaQaretz (2/19): QIf the goals [of Operation Cast Lead] were achieved, the Chief of Staff and the Defense Minister must explain where Hamas -- which was defeated, after all -- draws the strength to dictate that Israel release high-profile murderers as well as the duration of the cease-fire. If the IDF won, why is the government paying the price of defeat? If this is indeed the case, then our consciousness has been seared while Hamas' consciousness was not affected by the campaign; in fact, it may have grown stronger.... The general mood that caused the government to accept the dictates of terror stem from the takeover of Israeli values by extreme individualism Q Qthe individual (Gilad Shalit) is above any other national interest. Checking this trend, which leads to national disintegration, must be one of the central goals of a Netanyahu government.

12. Iran:

Summary:

Middle East affairs commentator Dr. Guy Bechor, a lecturer at the Interdisciplinary Center, wrote in the mass-circulation, pluralist Yediot Aharonot: QWill there be a double miracle of President Obama and President Khatami? If so, this could have great implications for the map of threats against Israel.

Block Quotes:

"Chance of Change"

Middle East affairs commentator Dr. Guy Bechor, a lecturer at the Interdisciplinary Center, wrote in the mass-circulation, pluralist *Yediot Aharonot* (2/19): If Khatami becomes president again there will be a gradual change in Iran's policy, and [Israel] will be the first to feel it. This will not be the end of the Islamic Revolution, but the emphases will soften. Khatami utterly rejects Ahmadinejad's statements against the U.S., Israel, and the Jews. He says that these statements caused serious damage to Iran diplomatically and economically. Khatami's line is that if Israel and the Palestinians reach an arrangement, Iran will respect it. This is a policy contrary to the current policy, meant to sabotage an Israeli-Palestinian agreement. This line also includes stopping provocations of the West, although it does not necessarily mean a halt to the nuclear program (this will only be decided by the spiritual leader Khamenei). Iran under Khatami will lower its profile of supporting Hizbullah and Hamas. This support will continue, but the sums (which are criticized in Iran which is suffering from an economic crisis) will get smaller. Iran's involvement in terror will also undergo revision. A key factor here is Barack Obama, who is expected to wait with his new policy toward Iran until the elections there. If Khatami wins, the two are expected to hold an historic meeting.... Will there be a double miracle of President Obama and President Khatami? If so, this could have great implications for the map of threats against Israel.

CUNNINGHAM